

31 July 2020

Quarterly Activities Report June 2020

- **COVID-19 shut-down resulted in 76 out of 91 days without production for the quarter.**
- **Operations metrics all significantly improved since restart due to maintenance work and contract renegotiations undertaken during shut-down.**
 - 2,575 tonnes ore mined grading 16.6% zinc 9.5%, lead and 66 g/t silver.
 - 2,201 tonnes of ore processed at 16.6% zinc, 9.2% lead and 64 g/t silver.
 - Payable metal sold, 234 tonnes of zinc and 84 tonnes of lead in concentrate.
- **Inventory stockpiles at quarter end to be realised in Q3 2020**
 - 1,087 tonnes of high-grade run-of-mine ore.
 - 293 tonnes zinc concentrate, 100 tonnes lead concentrate.
- **C1 cash cost of payable zinc sold \$0.84/lb, improved 20% from \$1.05/lb in Q1.**
- **Exploration activities included a review of all historical reports and preparation of the scope of works for reconnaissance and field geology work. Field geological teams to be mobilised, subject to travel restrictions.**
- **The JORC (2012) Mineral Resource was updated and estimated to contain 964,000 tonnes grading 13.2% Zinc and 3.5% Lead (161,000 tonnes of contained metal) in both Indicated and Inferred categories.**
- **Financial Movements**
 - Fully underwritten Entitlement Issue completed raised A\$1.725 million before costs.
 - Due to strong demand for Entitlement Issue, a placement was made to raise A\$0.570 million before costs.
 - Company repaid a convertible note with a principal value of A\$200,000 plus interest in cash.
 - Cash balance at 30 June 2020 of \$0.745 million
 - Concentrate trade receivables \$0.118 million plus VAT refundable of \$1.172million.
 - Invoice value of zinc and lead concentrate stockpile at the end of the quarter \$0.237 million

All references in this report are to US\$, unless otherwise stated.

Consolidated Zinc Limited (CZL:ASX or “the Company”) is pleased to present its June 2020 quarterly activities report.

All references in this report are to US\$, unless otherwise stated.

OPERATIONS - PLOMOSAS MINE, CHIHUAHUA STATE, MEXICO (100% OWNED)

Health, Safety and Environment

There were no reportable environmental or safety incidents during the quarter.

Mining

During the quarter, 2,575 tonnes of ore were mined at Plomosas, which was lower than the previous quarter of 9,987 tonnes, primarily due to the COVID-19 suspension of operations.

Stope mining proceeded at the Semi-Oxide Ore (SOX) stopes between level 7 and Level 9 and a new stoping area at Las Espadas was opened up increasing available stope areas to 6.

All labour contracts were revised at Plomosas to align the objectives of the employees with that of the Company’s Key Performance Indicators (KPI) by lowering base rates and increasing KPI based bonuses. The labour contract revisions have reduced operating costs.

Mining costs started the quarter at US\$85/t hauled to the surface and by late June had reduced to US\$44/t, with the average quarterly mining costs at US\$49/t. Mining costs are trending favourably with tonnes mined increasing and the unit cost per tonne reducing.

Processing

During the quarter 2,201 tonnes of ore were processed at average milled grades of 16.6% zinc, 9.2% lead and 64 g/t silver.

Significant operational improvements were made at the Aldama concentrator under the Company’s guidance during the Covid19 required shutdown. The maintenance team improved the crushing circuit availability, while the plant pumping systems and flotation mechanics were serviced. These works resulted in a significant improvement of availability on restart with 94.5% availability versus 68% availability prior to the shutdown.

Operations did not recommence until 21 June 2020 due to the COVID-19 impacts on the supply of key equipment and personnel availability.

At the end of the quarter inventory stockpiles were 1,087 tonnes of ROM ore available for processing and 293 tonnes of zinc concentrate and 100 tonnes of lead concentrate.

Operating Costs

The June 2020 quarter C1 operating costs were \$0.84 per payable pound of zinc sold which was 20% lower than the previous quarter (\$1.05/lb), due to the following factors:

- Owner operated mining allowed for improved efficiencies however, this was partly offset by lack of mechanical availability of rental equipment used during the transition while waiting for delivery of purchased mining equipment; and
- Plant production was limited to 15 days in 91-day quarter.

The Company expects the trend of reduced operating costs to continue, as cost savings related to the labour efficiencies, improved plant performance and a full quarter of steady state operations are reflected in the operating costs.

TABLE 1. QUARTER ENDED 30 JUNE PRODUCTION STATISTICS

			Q2,2020	Q1 2020	Year to date
MINED	Ore	MT	2,575	9,987	12,562
	Waste	MT	262	1,921	2,183
	Development	Metres	109	171	280
ORE PROCESSED	Ore	MT	2,201	10,132	12,332
	Zinc	%	16.6%	16.6%	16.4%
	Lead	%	9.2%	8.4%	8.6%
	Silver	Grams/t	64.4	46.1	53.9
SALES	Payable Zinc	MT	234	788	1,022
	Payable Lead	MT	84	164	248
	Payable Silver	Oz	30	425	455
C1 CASH COST PER PAYABLE ZINC SOLD	Mining, Processing and G&A	\$/lb payable Zinc sold	\$0.78	\$0.82	\$0.81
	Treatment & Transport Charges	\$/lb payable Zinc sold	\$0.37	\$0.39	\$0.39
	By Product Credits	\$/lb payable Zinc sold	\$(0.31)	\$(0.16)	\$(0.20)
	C1 Cash Cost	\$/lb payable Zinc sold	\$0.84	\$1.05	\$1.00

Concentrate Sales

541 tonnes of zinc concentrates and 201 tonnes of lead concentrates were sold in the quarter.

At the end of the quarter, 293 tonnes of zinc concentrate, and 100 tonnes of lead concentrate were stockpiled and scheduled for sale in in Q3 2020.

EXPLORATION

During the quarter \$0.057 million of exploration expenditure was incurred.

Resource Update

During the quarter, the Company announced the results from the incorporation of the Inferred to Indicated resource category conversion drilling into the updated resource model. Refer to the ASX announcement dated 29 April 2020 for full details.

**TABLE 2: PLOMOSAS APRIL 2020 JORC (2012) MINERAL RESOURCE
AS DEPLETED DECEMBER 2019. 3% ZN CUT-OFF**

Prospect	Indicated Mineral Resource						
	Tonnes	%Zn	%Pb	g/t Ag	Zn tonnes	Pb tonnes	Ag oz
Level 7	107,000	19.7	9.5	557.7	17,000	8,000	157,000
Tres Amigos	42,000	7.7	2.3	12.0	3,000	1,000	16,000
Tres Amigos North	38,000	7.8	3.6	13.1	3,000	1,000	16,000
Sub Total	165,000	13.9	6.3	325.7	23,000	10,000	189,000
Inferred Mineral Resource							
	Tonnes	%Zn	%Pb	g/t Ag	Zn tonnes	Pb tonnes	Ag oz
Level 7	146,000	13.6	6.4	31.7	20,000	9,000	149,000
Tres Amigos	439,000	14.0	1.2	11.6	62,000	5,000	163,000
Tres Amigos North	78,000	10.1	3.6	16.7	8,000	3,000	42,000
Carola	59,000	11.5	5.1	31.4	7,000	3,000	60,000
Las Espadas	77,000	10.5	4.2	14.8	8,000	3,000	36,000
Sub Total	799,000	13.0	3.0	17.5	104,000	24,000	450,000
Total Mineral Resource							
	Tonnage	Zn	Pb	Ag	Zn	Pb	Ag
Level 7	231,000	15.8	7.6	41.2	37,000	17,000	306,000
Tres Amigos	481,000	13.5	1.3	11.6	65,000	6,000	179,000
Tres Amigos North	116,000	9.4	3.6	15.5	11,000	4,000	58,000
Carola	59,000	11.5	5.1	31.4	7,000	3,000	60,000
Las Espadas	77,000	10.5	4.2	14.8	8,000	3,000	36,000
Total	964,000	13.25	3.5	20.6	127,000	34,000	639,000

REGIONAL EXPLORATION

Regional exploration during the quarter has demonstrated the presence of high-grade, narrow vein gold mineralisation that pinches and swells along strike. Three separate areas of gold mineralisation have been identified for initial follow up and more work is planned to confirm and identify additional targets.

At the La Chona- Enrique prospect, the veins swell to over 1.5m width and previous mining has seen the development of stopes to 16 metres depth.

The Potrero prospect contains gold veins which have been mined along 300 metres of continuous surface veins at a time when no modern exploration techniques were applied.

The Northern Extension Targets comprising the Javier, Jose and Alfonso prospects where a felsic intrusion appears to have been truncated by regional deformation faulting may host classic traps for gold fluid to pool.

At all of these priority prospects, further work is planned to better understand the gold mineralisation and define targets prior to drilling. A scope of works has been defined and once COVID-19 restrictions allow for the mobilisation of exploration personnel to site, the Company plans to re-commence planned exploration prior to drilling the targets later this year.

Figure 1: Regional prospect locations in relation to the Plomosas mine

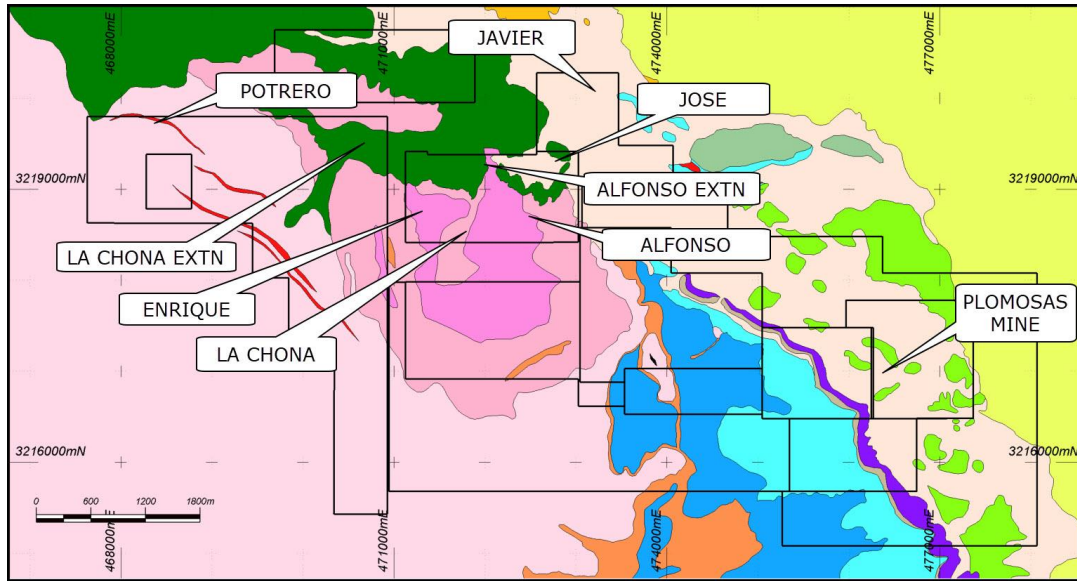
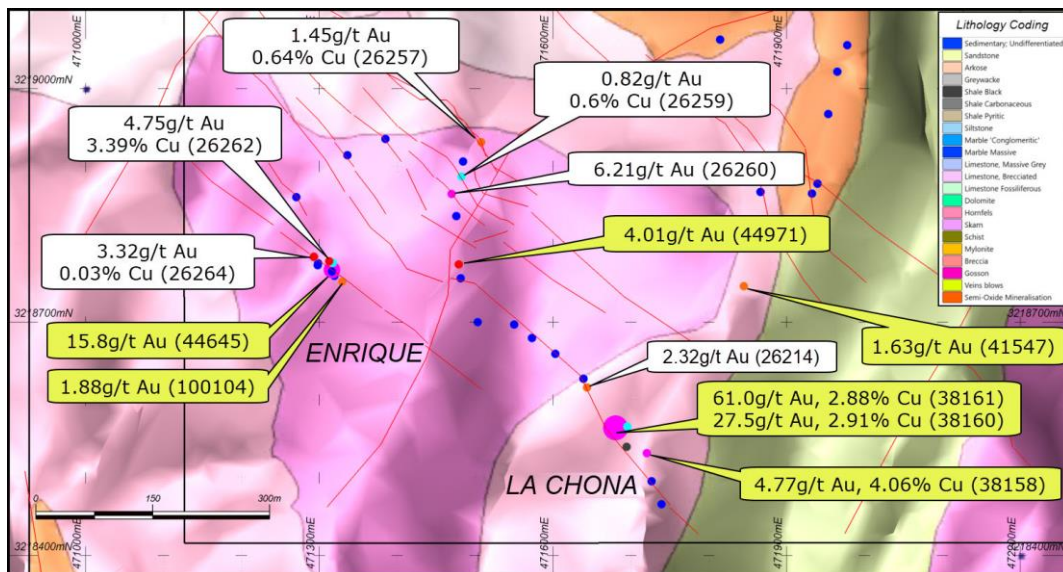


Figure 1: Location of the sampling points with assays along the La Chona-Enrique trend. Sampling to the north has shown that there are sub-parallel structures to the La Chona-Enrique trend. Samples in yellow are first pass program and historic samples.



Refer to the ASX announcement dated 23 April 2020 for the full details of the gold regional exploration results.

CORPORATE

Board fees and Executive salaries reduction

The Board and management recognise the impact of the COVID-19 on shareholder value and cashflow. In response the non-executive Directors have voluntarily reduced their fees by 50%, and the Managing Director and Chief Financial Officer voluntarily reduced their salaries by 20%. These initiatives will remain until the Board sees a return to pre COVID-19 commodity prices and operating conditions normalise.

COVID-19

In early April 2020, the Mexican Government issued a COVID-19 related decree to shut down all non-essential services, which included all mining operations at that time. However, from 1 June 2020, the mining sector was deemed to be an essential service, allowing operations to re-commence.

The Company has put in place stringent health, safety and hygiene standards at its operations to identify any COVID-19 risks and minimise the risk of transmission amongst its employees and contractors. No cases of COVID-19 have been reported to date at our two operational sites.

During the shutdown period, maintenance was completed enabling the removal of hire equipment and employee contracts were renegotiated to better align remuneration with performance. Supplier contracts were also reviewed and renegotiated where possible.

Capital Raisings

During the quarter, CZL completed a fully underwritten Entitlements Offer and Placement.

The Company announced a fully underwritten pro-rata non-renounceable entitlements offer ("Offer") on 23 April 2020 to raise A\$1,725,933 on the basis of 1 new share ("New Share") for every 3 shares held at the record date, at an issue price of \$0.003 per New Share which closed in accordance with the Offer timetable.

Subscribers in the Offer received one (1) free-attaching option (New Option) for everyone (1) New Share subscribed for and issued, exercisable at \$0.006 per New Option on or before 1 June 2023.

The Company announced on 11 June 2020, following the strong support from shareholders in the completed Offer, firm commitments to raise a further A\$570,000 via a single tranche placement of 190.0 million new fully paid ordinary shares ("Placement Shares").

The Placement was on the same terms as the Entitlement Issue, i.e. at an issue price of \$0.003 per Share, together with one (1) listed option for every one (1) Share subscribed in the Placement (exercisable at \$0.006, expiry date 1 June 2023, listed under ticker 'CZLOB' (Placement Options)). The Placement Options are subject to shareholder approval at the annual general meeting to be held on 31 July 2020.

Funds raised from the Offer and Placement have or will be used for exploration of gold prospects at the Plomosas project, to repay unsecured loans, for working capital, purchase of equipment to increase efficiencies at Plomosas and to meet the Offer and Placement expenses.

Cash

The Company's closing cash at the end of the quarter was US\$0.745 million (prior quarter \$0.298 million).

Trade Receivables

The Company's trade receivables due from the sale of zinc and lead concentrates was \$0.118 million (prior quarter \$0.473 million) and VAT refundable of \$1.172 million (prior quarter \$1.273 million).

VAT refunds from the Mexican government are denominated in Mexican Peso and recoverable through a combination of cash refunds and offsetting against any monthly VAT payable amounts due to the Mexican government.

The invoice value of zinc and lead concentrate stockpile at the end of the quarter \$0.237 million.

Convertible Notes & Unsecured borrowings

Convertible Notes

The closing balance of convertible notes on issue at the end of the quarter was A\$0.510 million inclusive of capitalised interest (prior quarter A\$0.735 million), with a A\$200,000 convertible note maturing on 30 June 2020 redeemed and repaid including accrued interest, in cash.

The convertible notes on issue as at 30 June but subsequently part of the finance facilities consolidation below, have a principal value of A\$0.428 million, with:

- A\$0.275 million with a maturity 30 June 2020 at a conversion price of A\$ 1.0 cent per share ("Existing Notes"); and
- A\$0.152 million with a maturity date of 27 August 2020 at a conversion price of A\$ 1.5 cents per share.

Unsecured borrowings

The Company has A\$0.8 million unsecured loan facilities fully drawn (prior quarter A\$1.2 million) with the following facilities:

- A\$0.8 million unsecured facility from entities related to Mr Stephen Copulos (former non-executive Chairman and "Existing Loans") and Mr Andrew Richards (non-executive Chairman), with a maturity date of 30 June 2021 and an interest rate of 10.0% per annum; and
- A\$0.4 million of unsecured working capital facilities from entities related to the Copulos and Retzos Groups were repaid from the proceeds of the Entitlements Issue completed during the quarter.

Finance facilities consolidation

On 2 July 2020, the Company has entered into an agreement with the Copulos Group to consolidate outstanding debt under its Existing Notes and unsecured loan facilities ("Existing Loans") into 4 new convertible notes ("New Convertible Notes") with the following key terms:

- Maturity date of 30 June 2022.
- Conversion price \$0.003 per share.
- Interest rate of 10.0% per annum; and
- Principal value of A\$1,127,826 (in aggregate).

The New Convertible Notes are subject to shareholder approval under listing rule 10.11 at the Company's upcoming AGM to be held on 31 July 2020.

Payments to Related Parties

During the quarter, payments of US\$160,000 were made for salaries and superannuation related to the Managing Director and non-executive Directors.

This announcement was authorised for issue to the ASX by the Directors of the Company.

For further information please contact:

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Managing Director
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ABOUT CONSOLIDATED ZINC

Consolidated Zinc Limited (ASX: CZL) owns 100% of the historic Plomosas Mine, located 120km from Chihuahua City, Chihuahua State. Chihuahua State has a strong mining sector with other large base and precious metal projects in operation within the state. Historical mining at Plomosas between 1945 and 1974 extracted over 2 million tonnes of ore grading 22% Zn+Pb and over 80g/t Ag. Only small-scale mining continued to the present day and the mineralised zones remain open at depth and along strike.

The company has recommenced mining at Plomosas and is committed to exploit the potential of the high-grade Zinc, Lead and Silver Mineral Resource through the identification, exploration and exploitation of new zones of mineralisation within and adjacent to the known mineralisation with a view to identify new mineral resources that are exploitable.

Caution Regarding Forward Looking Statements and Forward-Looking Information:

This report contains forward looking statements and forward-looking information, which are based on assumptions and judgments of management regarding future events and results. Such forward-looking statements and forward-looking information involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the actual market prices of zinc and lead, the actual results of current exploration, the availability of debt and equity financing, the volatility in global financial markets, the actual results of future mining, processing and development activities, receipt of regulatory approvals as and when required and changes in project parameters as plans continue to be evaluated.

Except as required by law or regulation (including the ASX Listing Rules), Consolidated Zinc undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements.

Production Targets:

Production targets referred to in this report are underpinned by estimated Mineral Resources which have been prepared by competent persons in accordance with the requirements of the JORC Code. The production targets in this report are sourced from both Indicated and Inferred Mineral Resources and it should be noted that there is a low geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the production target will be realised.

There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised. The stated production target is based on the Company's current expectations of future results or events and should not be solely relied upon by investors when making investment decisions. Further evaluation work and appropriate studies are required to establish sufficient confidence that this target will be met.

Competent Person Statement:

The information in this report that relates to exploration results, data collection and geological interpretation is based on information compiled by Mr Steve Boda BSc (Hons), MAIG, MGSA, MSEG. Mr Boda is a Member of Australian Institute of Geoscientists (AIG).

Mr Boda has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that is being undertaken to qualify as Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting

of Exploration Results, Minerals Resources and Ore Reserves' (JORC Code). Mr Boda consents to the inclusion in this report of the matters based on their information in the form and context in which it appears.

The information in this report that relates to Mineral Resources is based on, and fairly represents information and supporting documentation prepared by Mr Steven Boda, a Competent Person who is a Member of Australian Institute of Geoscientists (AIG). Mr Boda has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Boda has approved the Statement as a whole and consents to its inclusion in this report in the form and context in which it appears.

The information in this report that relates to the Mineral Resources were first reported by the Company in compliance with JORC 2012 in market release dated 29 April 2020.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the market announcements referred to above and further confirms that all material assumptions and technical parameters underpinning the ore reserve and mineral resource estimates contained in those market releases continue to apply and have not materially changed.